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STATE FOR EAP/CM AND EEB/OMA, TREASURY FOR OASIA

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TAGS: ECON EFIN EINV ETRD HK CH
SUBJECT: Hong Kong Market Report: Hang Seng Up on Hope for U.S. Stimulus

¶1. The Hang Seng Index was up 3.61 percent or 476.14 points today, closing at 13,655. Chinese stocks led the rally, following positive results in mainland Chinese markets and optimism that a U.S. stimulus package would pass Congress. Hong Kong Shanghai Bank, China Mobile, Industrial Commercial Bank of China and PetroChina all gained more the five percent. HIBOR remained low with overnight rates at 0.08 percent, one-month lending at 0.22 percent and three-month rates at 0.83 percent.

Exports Fall as Manufacturers Brace for Slowdown

¶2. Hong Kong's total exports dropped by 11.4 percent year on year (yoy) in December 2008. This follows a 5.3 percent decrease (yoy) in November. Domestic exports (i.e., Hong Kong produced goods) fell 39 percent. The Federation of Hong Kong Industries announced it expects 2,000-3,000 Hong Kong factories in the Pearl River Delta may close after the Lunar New Year holiday. The Ming Pao reported February 6 that Chen Hsong, one of the biggest Hong Kong manufacturers in Shenzhen, had instructed workers to take one month of leave before the Lunar New Year holiday as the factory (one of China's largest manufacturers of plastic injection molding machines) did not have enough orders to re-open for business.

Looming Roll-over Crisis?

¶3. Hong Kong Monetary Authority Chief Executive Joseph Yam told Legislative Council members February 2 that Hong Kong companies face the prospect of rolling over HKD 100 billion (US$13 billion) in syndicated loans in 2009. As the financial crisis continues to affect normal lending, Yam worried that Hong Kong borrowers could be facing increased credit difficulties. He offered that the Hong Kong government would consider the possibility of providing direct support to Hong Kong enterprises unable to roll over existing loans. Hutchinson Whampoa quickly issued a statement assuring investors that it had settled HKD 40 billion in short-term loans. Standard Chartered Bank insisted that Hong Kong banks would be able to take up the slack by a slowdown of foreign lending.